KIENA GOLD MINES LIMITED

ANNUAL REPORT 1976

KIENA GOLD MINES LIMITED

Executive Office

P.O. Box 40 Commerce Court West Toronto, Ontario M5L 1B4

Officers

J. R. SMITH
President
F. A. Godfrey
Vice-President
W. R. Robertson
Secretary
N. H. WITHERELL
Treasurer
J. F. GILLIES
Controller

Directors

*P.-E. AUGER K. DUNN

F. A. GODFREY

*D. W. KNIGHT

J. D. KRANE

G. P. MITCHELL

*J. R. SMITH

*Members of Audit Committee.

Transfer Agent and Registrar

CROWN TRUST COMPANY 302 Bay Street, Toronto 393 St. James St. W., Montreal Common Shares Listed Montreal Stock Exchange

Auditors

CLARKSON, GORDON & Co. Toronto

Annual Meeting

Elizabeth Room, King Edward Sheraton Hotel, Toronto April 21, 1977 11:00 a.m. (Toronto Time)

REPORT OF THE DIRECTORS

To the Shareholders:

The Financial Statements of your Corporation for the year ended December 31, 1976 and the Auditors' Report thereon, are submitted herewith.

The Corporation's mining properties located in Dubuisson Township, Province of Quebec, were maintained in good standing and the plant and equipment on the property are being kept on a care and maintenance basis.

No exploration work was carried out on the property during the year and further work is not considered justified at the prevailing price of gold.

On behalf of the Board,

Toronto, Ontario, March 15, 1977. J. R. SMITH,
President.

AUDITORS' REPORT

To the Shareholders of Kiena Gold Mines Limited:

We have examined the balance sheet of Kiena Gold Mines Limited as at December 31, 1976 and the statements of deferred exploration, development and other expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, February 28, 1977.

CLARKSON, GORDON & Co.
Chartered Accountants

KIENA GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1976

ASSETS

Current assets:	1976	1975
Cash and temporary investments, at cost, which approximates market value	\$ 10,875	\$ 11,606
Accrued interest receivable	43	15
	10,918	11,621
Fixed assets at cost (note 1): Buildings, machinery and equipment Mining claims and properties	143,298 329,332	143,298 329,332
	472,630	472,630
Other:		
Deferred exploration, development and other expenditures (statement 2) (notes 1 and 2) Deposit for electric power	3,108,351 12,464	
	3,120,815	3,094,116
	\$3,604,363	\$3,578,367
LIABILITIES AND SHAREHOLDERS' E	QUITY	
Current liabilities:	1976	1975
Accounts payable	\$ 516	\$ 1,202
Long-term liabilities:		
Due to parent company, Falconbridge Nickel Mines Limited (note 3)	104,994	78,312
6% income debentures, due December 31, 1982-1983 (note 4)	250,000	250,000
01 - 1 11 - 2 2	354,994	328,312
Shareholders' equity: Share capital (note 4) —		
Authorized:		
2,500,000 6% non-voting preference shares with a par value of \$1 each (cumulative until December 31, 1968), redeemable at par		
5,000,000 common shares of no par value		
Issued:		
2,467,459 preference shares (note 4)	2,467,459	2,467,459
4,876,848 common shares	895,786	895,786
Deficit (anchoned drains the vect)		3,363,245
Deficit (unchanged during the year)	114,392	114,392
		3,248,853
	\$3,604,363	\$3,578,367

On behalf of the Board:

J. R. SMITH, Director.

K. DUNN, Director.

(See notes to financial statements)

KIENA GOLD MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

For the year ended December 31, 1976

	1976	1975
Balance, beginning of year	\$3,081,587	\$3,056,119
Expenditures during the year:		
General expense at the property	14,879	12,012
Administrative and corporate expenses	12,798	14,165
	27,677	26,177
Deduct interest income	913	709
	26,764	25,468
Balance, end of year	\$3,108,351	\$3,081,587

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1976

Source of working capital:	1976	1975
Interest income	\$ 913	\$ 709
Refund of deposit	65	33
Advance from Falconbridge Nickel Mines Limited	26,682	25,525
	27,660	26,267
Application of working capital:		
Deferred exploration, development and other expenditures	27,677	26,177
Increase (decrease) in working capital during the year	 (17)	 90
Working capital, beginning of year	10,419	10,329
Working capital, end of year	\$ 10,402	\$ 10,419

(See notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

December 31, 1976

- 1. Exploration, development and other expenditures amounting to \$3,108,351 at December 31, 1976 relating to a non-producing property have been deferred until such time as the mining property is brought into production or abandoned. Upon abandonment, these costs would be written off. The recovery of these costs, together with the cost of the related fixed assets, is dependent upon the success of future operations. The company is reviewing, on an ongoing basis, the feasibility of bringing the property into commercial production but has postponed any decision pending developments in bullion markets and further analyses of possible production alternatives. If the property is brought into commercial production any additional development work would be expensed as incurred, except for large development programs, in which case such costs would be deferred. Deferred costs relating to the property would be amortized over the expected life of the mine.
- 2. Exploration, development and other expenditures include a total of \$2,411,180 in respect of which the tax benefits are claimable by other companies.
- 3. The advance from Falconbridge Nickel Mines Limited has been classified as long-term debt as Falconbridge has agreed not to call for repayment prior to December 31, 1977.
- 4. At December 31, 1965 arrears of dividends on the preference shares amounted to \$163,796 and interest on income debentures which is cumulative but payable only out of profits, amounted to \$38,605. All of these securities are owned by Falconbridge Nickel Mines Limited and that company has agreed to waive its rights to receive the benefit of any further accruals of interest or dividends on these securities until a decision has been reached to place the company's property in production or to reorganize its capital. All preference shares outstanding must be redeemed before any dividends are paid on the common shares.
- 5. Remuneration of senior officers (as defined under The Business Corporations Act 1970, Ontario) amounted to \$8,773 in 1976 (\$5,670 in 1975). Directors' fees amounted to \$3,500 in 1976 (\$3,500 in 1975).